

**MCI WORLD COM**

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1801 Pennsylvania Avenue, NW  
Washington, DC 20006

October 11, 1999

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

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Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
The Portals  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

CC Docket No. 99-295

Dear Ms. Salas:

On October 7, 1999, John Donoghue, Keith Seat, and I of MCI WorldCom met with Linda Kinney of Commissioner Ness's office to discuss MCI WorldCom's experience offering local service in New York. The attached document, which was distributed at the meeting, outlines the content of our discussion. In accordance with section 1.1206(b)(2) of the Commission's rules, 47 C.F.R. § 1.1206(b)(2), an original and one copy of this memorandum and attachment are being filed with your office.

Sincerely,

*Lori Wright*

Lori Wright  
Senior Manager, Regulatory Affairs

cc: Linda Kinney

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# **Overcoming Barriers: Residential Local Exchange Telephone Competition in New York**

October 7, 1999

# **New York Market Is First and Best Opportunity for Local Competition**

- Substantial market opportunity -- 6 million households
- Availability of Unbundled Network Element-Platform
- Potentially profitable pricing
- Stringent third-party testing of Bell Atlantic (BA) interfaces with competitors
- Highly involved state commission helping to level playing field

# **MCI WorldCom's Launch Demonstrates Consumer Demand**

- MCI WorldCom launched local residential service in NY, but still limited by BA problems
  - Launched downstate NY in late December and rest of BA's NY region in February
  - Available to ALL customers in BA territory in NY
- MCI WorldCom is largest competitor of BA for local residential customers
  - Over 160,000 customers provisioned to date
  - Well aware of BA's progress and remaining problems
- Customers eager for local competition
  - Word of mouth "advertising" has created month over month growth in calls to MCI WorldCom for new service

# **MCI WorldCom Delivers Customer Benefits**

- Local products & features concentrate on savings and choice over BA offerings
- Bundled product provides Local, IntraLATA and Long Distance in one
  - Savings over BA Local
  - Tied to best MCI WorldCom LD rates
  - Additional \$5 monthly savings (\$60 annually)
- No significant competitive response by BA

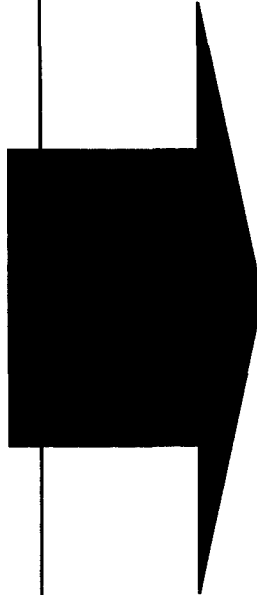
# **BA Has Made Good Progress, But Must Fix Its Systems/Problems**

- With the encouragement of the NY Public Service Commission and federal agencies, BA has made good progress toward local competition
  - NY is closer to open local markets than any other state
- BA's remaining system constraints and problems limit MCI WorldCom's ability to increase sales to commercial volumes
- BA must resolve five critical issues to adequately open its local markets
  - Other problems are important, but not critical roadblocks to commercial operation

# BA Must Fix Five Critical Customer Impacting Issues

## BA ISSUE

- Change Management
- Order Flow Through
- Pre-Order
- Loop Provisioning
- Performance Penalties



## MCIWORLD.COM CUSTOMER IMPACT

- Halt of MCI WorldCom sales, service, order processing
- Delayed information and service
- Delayed installation and/or inaccurate customer info
- Inability for MCI WorldCom to sell to small & medium businesses competitively; DSL issues
- Delayed or degraded MCI WorldCom sales, service, order processing

# Issue One: Change Management Procedures Must Be Followed

- BA's changes of its systems and interfaces with competitors can eliminate competition unless it provides adequate notice and cooperation; requirements for notice/cooperation are called "change management"
- BA fails to follow change management requirements
  - E.g., late on Friday, Sept. 17, BA notified MCI WorldCom that its ordering system would change on Sunday, Sept. 19; despite strong objections, BA implemented change, delaying nearly 6000 MCI WorldCom orders



## **Issue Two: Order Flow Through Must Be Improved**

- For viable local competition, high volumes of residential orders must “flow through” automated systems without delay or problems
- Even BA’s latest “improved” flow through data is not good enough
  - About one in four orders handled manually by BA because of its system design or problems
  - Largest portion are manual by BA design
- BA has complained about receiving 3000 orders/day, but competition will bring several times that level
  - Manual processes are not easily scalable
  - Problem will only get worse when volumes increase

## **Issue Three: Pre-Order Must Work Adequately**

- Pre-order allows competitors to access customer information in order to talk about the customer's service and place orders to transfer service
- BA's electronic pre-order access for competitors has been slow in arriving, delaying competition at commercial levels
  - Over 36 versions of pre-order documentation supplied by BA for NY so far
  - Necessary for efficient handling of large volumes
- BA must cooperate to reduce its query response times and ensure necessary functions are workable

# Issue Four: Loop Provisioning Problems

- BA fails to provide sufficient information about loops for competitors to be able to use them for xDSL to provide broadband services
  - BA's approach would limit competitors to the services that BA itself offers
  - BA still charges thousands of dollars to clean loops for xDSL use by competitors
- Obtaining loops from BA to connect to MCI WorldCom switches is difficult and requires extensive manual coordination

## **Issue Five: Performance Guarantees Necessary to Prevent Backsliding**

- Backsliding is great concern once BA receives in-region long distance authority
- Federal and state agencies must exercise oversight to prevent backsliding
- Proposed performance plan must be strengthened
  - Maximum remedies must be high enough so they are not merely a cost of doing business; e.g., ALL collocations could be refused by BA for only \$5 million per year
  - Remedies must increase as service worsens; e.g., two month delay is no worse than two days under proposal
  - Plan generally aggregates all measures and all competitors, permitting strategic noncompliance without any remedy; e.g., BA can harm one competitor as long as it gives superior service to another

# **Conclusion: Barriers Crumbling, But Not Yet Gone**

- Robust local competition, as intended by Telecommunications Act, appears possible in NY
- BA is close, but must fully resolve problems prior to section 271 authorization
- FCC, DOJ must look closely at section 271 applications to ensure market irreversibly open and public interest satisfied

**ADDENDUM:**

## **Bell's Ongoing 271 Efforts to Gain Long Distance Entry in NY**

- Feb. 97: Bell files first 271 application in NY claiming 271 checklist met; NY commission rejects in July
- Nov. 97: BA files second NY 271 application
- Nov. 97: Recognizing problems, BA agrees to OSS collaborative (which continues through 1998)
- April 98: BA issues "Roadmap" with numerous commitments, including third party testing
- June 99: NY commission technical conferences; BA asks to delay critical issues until July
- July-Aug 99: Further hearings, filings; oral arguments in NY state process
- Sept 99: BA section 271 application filed with FCC

# **Section 271 Application at FCC: Process and Timing**

- FCC must make decision to grant or deny section 271 applications based on statutory criteria
  - Full compliance with the 14-point competitive checklist
  - Compliance with requirements for separate subsidiary and competitive presence test
  - Whether section 271 authorization is in the public interest
- FCC established schedule for comments on NY
  - CLEC & state commission comments due Oct. 19
  - Department of Justice comments due Nov. 1
  - All reply comments due Nov. 8
- FCC must decide on section 271 application by Dec. 28 (within 90 days of filing)